

STATE CONTROLLER'S OFFICE  
PERSONNEL/PAYROLL SERVICES DIVISION  
P. O. BOX 942850  
Sacramento, CA 94250-5878

DATE: September 28, 2017

PAYROLL LETTER #17-009  
(Civil Service Only)

TO: All Agencies in the Uniform State Payroll System

FROM: Debra Spellman, Chief  
Personnel/Payroll Services Division

**RE: OTHER POST-EMPLOYMENT BENEFITS (OPEB) PREFUNDING EFFECTIVE  
JULY 1, 2017**

In accordance with Bargaining Unit (BU) Memorandum of Understanding (MOU) and Government Codes 22940 - 22944.5, effective July 1, 2017, the State Controller's Office (SCO) will begin withholding OPEB (Other Post- Employment Benefits) Retiree Health contributions from eligible employees in **BU2, BU7, BU8, BU9, BU10, BU13, BU18 and BU19**; the OPEB contributions for **BU12** and **BU16** will change from a percentage of base pay to a percentage of pensionable compensation.

For specific information regarding eligibility and policy details, please refer to CalHR's Policy Statement at the following link: <http://hrmanual.calhr.ca.gov/Home/ManualItem/1422>

OPEB contributions will be calculated as a percentage of an employee's total pensionable compensation (i.e., all payments with a CalPERS retirement gross) for a given pay period, with matching employee and employer contributions. OPEB deductions for both positive and negative paid employees will be taken one month in arrears. **The first deductions will be calculated based on payments issued for the July 2017 pay period and will be withheld from the August 2017 pay period.**

Note for BU12 and BU16:

- Negative attendance health benefit (HB) eligible employees will not have an OPEB contribution deducted from the July 2017 pay period. The June "base pay" % OPEB contribution was withheld in the June 2017 pay period; the July "pensionable compensation" % OPEB contribution will be withheld in the August 2017 pay period.
- New deduction-organization codes for BU12 and BU16 will be used effective August 2017 pay period for the "pensionable compensation" % calculation.

The following provides an example of how an OPEB contribution will be calculated for an eligible employee. **Please note: the example represents only a sample of what could issue for a pay period, and is not inclusive of all payments subject to retirement.**

Determine Total Retirement Gross Subject Amount for the pay period:

<b>BU12 July 2017 Payments</b>	<b>Subject to Retirement?</b>	<b>Retirement Gross Subject Amount</b>
Regular Pay	Yes	\$ 5,444.00
Commercial Drivers License Differential	Yes	\$ 262.20
Overtime	No	\$ 0.00
<b>Total Retirement Gross Subject Amount</b>		<b>\$ 5,706.20</b>

Multiply the Total Retirement Gross Subject Amount by the OPEB % for the BU (in this example - BU12 percentage rate) to determine the OPEB deduction amounts for the pay period:

<b>Total Retirement Gross Subject Amount for July 2017 Pay Period</b>	<b>OPEB %</b>	<b>July 2017 OPEB Contribution withheld from August 2017 Pay</b>	
		<b>Employee Contribution</b>	<b>Employer Contribution</b>
<b>\$ 5,706.20</b>	<b>1.5%</b>	<b>\$85.59</b>	<b>\$85.59</b>

Effective July 1, 2017 the OPEB Retiree Health Contribution for BU6 health benefit eligible employees will increase from 1.3% of pensionable compensation to 2.6%.

OPEB contributions will be deducted on a pre-tax basis, unless the employee is on a disability leave that requires the deductions to be taken on a post-tax basis. The following OPEB deduction codes and OPEB percentages will be used effective July 1, 2017:

<b>Employee and Employer Contributions</b>			
<b>BU/EE Group</b>	<b>Pre-Tax Ded. - Org.</b>	<b>Post-Tax Ded. - Org.</b>	<b>OPEB %</b>
BU 02	354 – 073	354 – 074	0.7%
BU 06	354 – 063	354 – 064	2.6%
BU 07	354 – 075	354 – 076	1.3%
BU 08	354 – 077	354 – 078	1.5%
BU 09	354 – 079	354 – 080	0.5%
BU 10	354 – 081	354 – 082	0.7%
BU12	354 – 093	354 – 094	1.5%
BU 13	354 – 083	354 – 084	1.3%
BU 16	354 – 095	354 – 096	1.0%
BU 18	354 – 085	354 – 086	1.3%
BU 19	354 – 087	354 – 088	1.0%

The Payroll Procedures Manual (PPM) Section B will be updated to reflect the new deduction-organization codes.

An OPEB deduction will be applied each pay period, regardless of an employee's pay frequency. Both the employee and employer contributions will be reflected on the employee's Direct Deposit Advice/Earnings Statement. The employee contribution will be reflected under DEDUCTIONS as "CERBT," which represents the California Employers' Retiree Benefit Trust. The employer contribution will be included in the HLTH/FLEX amount.

Please direct questions related to OPEB as follows:

SUBJECT AREA	CONTACT	TELEPHONE NUMBER
Program Administration (e.g., rules, regulations, benefits/pay impacts)	Personnel Services Branch CalHR	(916) 323-3343
General Payroll Procedures Disability Payroll Procedures Employment History Procedures	Customer Contact Center SCO	(916) 372-7200

DS:JB:PMAB